

Message Text

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ACTION STR-08

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-03 H-03 INR-11 INT-08 L-03

LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-03

SS-20 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01

SWF-02 FEA-02 FPC-01 DRC-01 /198 W

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P R 251900Z JUL 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 4069

INFO USMISSION GENEVA

AMCONSUL CALGARY

AMCONSUL TORONTO

AMCONSUL WINNIPEG

LIMITED OFFICIAL USE SECTION 1 OF 2 OTTAWA 2341

E.O. 11652: N/A

TAGS: ETRD, GATT, EIND, CA

SUBJECT: MTN: PREPARATION OF PROTOTYPE SECTOR STUDY -
ELECTRICAL POWER GENERATING MACHINERY.

REF : (A) STATE 131800

(B) OTTAWA 2138 (NOTAL)

1. AS NOTED IN REFTEL (B), EMBASSY HAS ENCOUNTERED CONSIDERABLE
DIFFICULTY IN OBTAINING REQUESTED INFORMATION, PRIMARILY
BECAUSE SUBJECT INDUSTRY IN CANADA IS DOMINATED BY TWO
FIRMS, CANADIAN GENERAL ELECTRIC AND WESTINGHOUSE (BOTH U.S.
SUBSIDIARIES), AND QUESTION OF CONFIDENTIALITY IS PERVASIVE.
IN OTTAWA, OFFICIALS OF BOTH STATISTICS CANADA AND DEPART-
MENT OF INDUSTRY, TRADE AND COMMERCE (ITC) HAVE BEEN
RELUCTANT TO DISCUSS DETAILS OF INDUSTRY -- CITING IN FIRST
INSTANCE UNAVAILABILITY OF DATA FOR PROPRIETARY REASONS --
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AND HAVE BEEN SOMEWHAT SUSPICIOUS OF MOTIVES FOR

INQUIRIES. EMBASSY IS INFORMED THAT CONGEN TORONTO, WHICH HAS BEEN ENGAGED AT EMBASSY REQUEST IN SIMILAR EFFORTS FOR MOST OF JULY TO OBTAIN DATA ON STRUCTURE OF THE INDUSTRY, HAS HAD SIMILAR REACTIONS, ALTHOUGH SOME INFORMATION IS BEING ACQUIRED AND WILL BE SUBMITTED AS SOON AS POSSIBLE. ONE ITC OFFICIAL SUGGESTED TO EMBOFF THAT U.S. GENERAL ELECTRIC WOULD HAVE BEST AVAILABLE INFORMATION ON ELECTRICAL POWER GENERATING MACHINERY INDUSTRY IN CANADA. WE SUSPECT THE SAME WOULD ALSO BE TRUE FOR WESTINGHOUSE. IN ANY EVENT, WHAT FOLLOWS IS EMBASSY'S BEST INFORMATION AND COMMENTS KEYED TO REQUESTS CONTAINED REFTEL (A) PARA 4 (B THROUGH E). RESPONSE TO PARA 4 (A) WILL BE PROVIDED UPON RECEIPT OF DATA FROM CONGEN TORONTO.

2. B. ROLE OF GOVERNMENT:

-- ITC OFFICIAL RESPONSIBLE FOR ELECTRICAL POWER GENERATING MACHINERY INDUSTRY STATES THAT THERE IS NO RPT NO GOVERNMENT CONTROL OVER INDUSTRY ORGANIZATION NOR INVOLVEMENT IN PRODUCTION DECISIONS (SEE (E) BELOW, HOWEVER, FOR DISCUSSION OF POSSIBLE FUTURE DEVELOPMENTS REGARDING FOREIGN INVESTMENT). ITC OFFICIAL DID ALLOW, NEVERTHELESS, THAT INDUSTRY, WHICH HE POINTEDLY NOTED IS LARGELY FOREIGN-CONTROLLED (READ U.S. - OWNED), IS SUBJECT TO SAME INTEREST GOC HAS IN ALL OF CANADIAN INDUSTRY, I.E., TO MAXIMIZE EMPLOYMENT IN CANADA AND TO PRODUCE COMPLETED MANUFACTURES AS OPPOSED TO MERE FABRICATION OF COMPONENTS FOR OFF-SHORE PARENT COMPANIES. ITC OFFICIAL ALSO NOTED THAT THIS INDUSTRY IS STRONGLY DEPENDENT ON GOC POSITION OF TARIFFS: IF SECTOR WERE SUBJECT TO FREE TRADE OR EVEN SHARPLY REDUCED TARIFFS IT IS QUESTIONABLE WHETHER THE INDUSTRY (PARTICULARLY IN THE TURBINE-GENERATOR AREA) WOULD REMAIN VIABLE.

-- ITC OFFICIAL STATED THAT FEDERAL GOVERNMENT PURCHASES OF GENERATING MACHINERY BY AND LARGE LIMITED TO PROCUREMENT FOR SMALL UTILITIES IN THE LIMITED OFFICIAL USE

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NORTHWEST TERRITORIES AND YUKON WHICH ARE FEDERAL LANDS. THIS CONTROL OVER THE VAST NORTHWEST TERRITORIES, FOR EXAMPLE, WHICH HAVE TOTAL POPULATION OF 35,000 AT MOST, GIVES GOC PRECIOUS LITTLE PURCHASING CLOUT, ACCORDING TO ITC SOURCE, AND HE DESCRIBED GOC INFLUENCE AS PURCHASER OVER THE INDUSTRY AS "VIRTUALLY NIL."

-- APART FROM THE GOC POSITION ON TARIFFS (SEE ABOVE), ITC SOURCE CLAIMS THAT THE GOVERNMENT EXERCISES NO RPT NO OTHER CONTROLS OVER IMPORTS OF ELECTRICAL GENERATING EQUIPMENT. ON THE EXPORT SIDE, THE INDUSTRY IS ELIGIBLE FOR ASSISTANCE UNDER THE WORLDWIDE PROGRAM FOR EXPORT MARKET DEVELOPMENT. UNDER THIS PROGRAM, DESIGNED TO ENCOURAGE EXPORTS THROUGH "EXPLORATION" OF NEW MARKETS (DC AND LDC), THE GOC WILL CONTRIBUTE UP TO 50 PERCENT OF COMPANY EXPORT DEVELOPMENT COSTS. ITC OFFICIAL COMMENTED THAT TO DATE SUBJECT INDUSTRY HAS PARTICIPATED ONLY TO A "VERY LIMITED EXTENT." THE EXPORT DEVELOPMENT CORPORATION (EDC), ON THE OTHER HAND, FUNCTIONS MUCH LIKE THE U.S. EXIMBANK AND HAS FINANCED SIGNIFICANT EXPORTS OF GENERATING EQUIPMENT. ITC OFFICIAL CLAIMS EDC COULD DO MORE IN THIS SECTOR, BUT SUFFERS FROM BEING "TOO HONORABLE" IN ITS FINANCING OPERATIONS (DETAILS ON OPERATIONS OF EDC ARE AVAILABLE IN OTTAWA'S A-359 OF JULY 22, 1974 AND IN THE EDC ANNUAL REPORTS SUBMITTED UNDER CERP PROCEDURES, THE LATEST SUBMISSION MADE BY THE EMBASSY ON MAY 10, 1974). A REVIEW OF EDC FINANCING AGREEMENTS OVER THE PAST THREE YEARS (1971-1973) INDICATES APPROXIMATE TOTAL FINANCING OF OVER C\$160 MILLION WORTH OF ELECTRICAL POWER GENERATING EQUIPMENT TO COUNTRIES SUCH AS BOLIVIA, BRAZIL, MEXICO, BARBADOS, COLOMBIA, SPAIN, AND ISRAEL. EDC REQUIRES THAT FINANCED TRANSACTIONS HAVE A CANADIAN MATERIAL AND LABOR CONTENT OF NOT LESS THAN 80 PERCENT AND THAT ALL OF THE GOODS AND SERVICES BE EXPORTED FROM CANADA. IN ADDITION TO EDC, THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA) ALSO PROVIDES SOME ASSISTANCE TO LIMITED OFFICIAL USE

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LDCS IN THIS SECTOR, BUT GENERALLY HAS LEFT THE POWER GENERATING FIELD TO IBRD AUSPICES.

C. OTHER MAJOR DOMESTIC PURCHASERS: BY ALL ODDS, THE PREDOMINANT PURCHASERS OF POWER GENERATING EQUIPMENT IN CANADA ARE THE ELECTRIC UTILITIES WHICH, EXCEPT IN CASES OF NORTHWEST TERRITORIES AND YUKON MENTIONED ABOVE, ARE PROVINCIAL OR MUNICIPALLY OWNED AND SUBJECT SOLELY TO PROVINCIAL OR LOCAL GOVERNMENT PURCHASING POLICIES. ACCORDING TO THE ITC SOURCE, PROVINCIAL UTILITIES, "ALL THINGS BEING EQUAL" PREFER TO BUY CANADIAN AND SOME, IF ASKED, WILL ADMIT TO SOME DEGREE OF DOMESTIC PREFERENCE TO BID EVALUATION. AT THE REQUEST OF THE EMBASSY, CONGENS WINNIPEG AND

CALGARY PROVIDED THE FOLLOWING INFORMATION ON
PROCUREMENT IN ALBERTA, SASKATCHEWAN AND MANITOBA
AS FOLLOWS (WE BELIEVE THESE EXAMPLES ARE GENERALLY
INDICATIVE OF CURRENT PRACTICES ACROSS CANADA):

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INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 4070

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ALBERTA -

APPROXIMATELY 60 PERCENT OF ALBERTA'S ELECTRICAL
POWER IS PROVIDED BY CALGARY POWER, WITH THE
MUNICIPAL PLANT RUN BY THE CITY OF EDMONTON
GENERATING 22 PERCENT, 15 PERCENT BEING SUPPLIED
BY ALBERTA POWER LTD., AND MOST OF THE REMAINDER
BY THE MUNICIPAL PLANT AT MEDICINE HAT. THE
ALBERTA GOVERNMENT HAS ASKED INDUSTRY WHEREVER
POSSIBLE TO GIVE PREFERENCE TO THE EMPLOYMENT
OF ALBERTA NATIONALS AND TO THE USE OF CANADIAN
EQUIPMENT AND SERVICES. CALGARY POWER STATES THAT
THEY USE EQUIPMENT MANUFACTURED PRIMARILY IN

CANADA, THE UNITED KINGDOM, AND THE UNITED STATES.
PURCHASES ARE MADE UNDER A COMPETITIVE BIDDING
SYSTEM, AND SUCH U.S. COMPANIES AS GENERAL ELECTRIC
AND WESTINGHOUSE RECEIVE COPIES OF THE TENDERS
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AND ARE WELL AWARE OF THE REQUIREMENTS OF CALGARY
POWER. CONSEQUENTLY, PROCUREMENT POLICIES REMAIN
RELATIVELY OPEN. CALGARY POWER HAS RECEIVED
SUBSTANTIAL LOANS FROM THE EXPORT-IMPORT BANK THAT
ARE TIED TO THE PURCHASE OF AMERICAN ELECTRICAL
POWER EQUIPMENT.

MANITOBA -

MURRAY FRASER, ENGINEERING DIRECTOR, MANITOBA HYDRO
STATES THAT BID DATA FOR HYDRO PROJECTS IS NOT
MADE PUBLIC AND IS NOT GIVEN TO NON-BIDDERS. MANITOBA
HYDRO DOES PROVIDE SUCCESSFUL BIDDER FIGURE INFORMATION
CONFIDENTIALLY TO BONA FIDE BIDDERS ON ELECTRICAL
GENERATING TENDERS. TWO YEARS AGO BECAUSE OF
WIDESPREAD PUBLICITY BID PRICES FOR PURCHASES OF
RUSSIAN MADE EQUIPMENT WERE REVEALED TO THE PRESS.
FRASER BELIEVES, HOWEVER, THAT GENERAL ELECTRIC
MAY HAVE DETAILS ON COMPETITIVE BID PRICES. THE
COMPANY HAS STRESSED ITS EMPHASIS ON INCREASING SALES
IN ITS ELECTRICAL POWER DIVISION. SINCE THAT TIME
FRASER NOTED THAT BIDS FOR MANITOBA HYDRO EQUIPMENT
HAVE BEEN WON BY CANADIAN GENERAL ELECTRIC.

SASKATCHEWAN -

FREDERICK URSEL, ENGINEERING MANAGER, SASKATCHEWAN
POWER CORPORATION, DESCRIBES PROVINCE'S POLICY AS
SIMILAR TO MANITOBA'S. THERE IS NO OPEN TENDER
SYSTEM. HOWEVER, WITH CLOSED TENDERS NO PREFERENTIAL
TREATMENT IS GIVEN AND NO PERCENTAGE OF PURCHASES
MUST BE FROM CANADIAN MANUFACTURERS. RATHER END
COST AND DESIGN CHARACTERISTICS DETERMINE WHO WINS
SASKATCHEWAN HYDRO BIDS. COMPANY FILES ARE NOT
OPENED WITH EXCEPTION OF TIME OF ANTI-DUMPING
HEARINGS IN OTTAWA THREE YEARS AGO. THEN INFORMATION
REVEALED WAS ON BID LEVELS, I.E. PERCENTAGE OF OFF
SHORE BIDS BUT NOT ON INDIVIDUAL ITEM COSTS. URSEL
STRESSES CONTRACTORS DO NOT LIKE TO HAVE THEIR UNIT
PRICING FIGURES MADE AVAILABLE TO COMPETITORS.

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D. NONTARIFF BARRIERS: WITH REGARD TO NTB'S TO CANADIAN EXPORTS, ITC OFFICIAL SUGGESTED THAT GOC SUBMISSION TO GATT NTB REPORT WOULD BE MOST COMPLETE LISTING. WITH REGARD TO NTB'S TO IMPORTS OF SUBJECT EQUIPMENT INTO CANADA, ITC OFFICIAL MENTIONED POSSIBLE PROVINCIAL PROCUREMENT PRACTICES (SEE ABOVE) AND POSSIBLY SOME INSTANCES IN THE STANDARDS AREA. HE DESCRIBED THE REQUIREMENTS OF THE CANADIAN STANDARDS ASSOCIATION AS MORE RIGOROUS THAN MOST INTERNATIONAL AND NATIONAL STANDARDS BUT ON REFLECTION SUGGESTED ANY NTB'S HERE WOULD PROBABLY APPLY MORE TO CONSUMER HOUSEHOLD APPLIANCES RATHER THAN TO HEAVY EQUIPMENT. HE ALSO REITERATED HIS VIEW THAT THERE ARE NO REPEAT NO TECHNICAL SPECIFICATIONS OF A SUBSTANTIVE NATURE WHICH ADVERSELY AFFECT THE USE OF IMPORTED EQUIPMENT, MOST OF WHICH ORIGINATES IN THE U.S., WITH THE UK AND JAPAN BEING IMPORTANT BUT RATHER SECONDARY SUPPLIERS TO CANADA. HE ASCRIBED THE PREPONDERANT ROLE OF THE U.S. IN SUPPLYING CANADA'S IMPORT REQUIREMENTS FOR ELECTRICAL EQUIPMENT ALMOST EXCLUSIVELY TO THE PARENT-SUBSIDIARY RELATIONSHIP.

E. FOREIGN INVESTMENT ASPECTS: THE FOREIGN INVESTMENT CLIMATE STATEMENT SUBMITTED BY THE EMBASSY UNDER COVER OF A-188 OF APRIL 19, 1974, REMAINS CURRENT AND APPLIES TO THE ELECTRICAL POWER GENERATING MACHINERY INDUSTRY EQUALLY WITH OTHER INDUSTRIAL SECTORS.
JOHNSON

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Message Attributes

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Draft Date: 25 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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